

Income Tax

when the Minister knows that it is not in any other income tax provision in any other jurisdiction? Why only in Canada do we try to drive capital out of the country?

Mr. Cosgrove: Mr. Chairman, if the Parliament of Canada in its amendments to the Income Tax Act defines the capture of income in accordance with the accrual method as set out in the amendments here, that will be the law of Canada. The Hon. Member, although he disagrees with it and has given some philosophical reasons why he does not agree with this method of identifying income for revenue purposes, still, I am sure, as a professional would have to draw this law to the attention of anyone who asks for his professional advice. It is not the whim of the Minister that is the law but the Income Tax Act of Canada, under which people are expected to conduct their business affairs.

In so far as what attracts people to make choices as to where they invest, I respectfully submit that the method under which income tax is identified and paid is only one element in a decision a person would make. The rates themselves are probably the predominant factor, but there could be many others and it would be conjecture and an individual decision for a person making that choice.

Mr. Darling: Accrual interest is cruel.

Mr. Blenkarn: Mr. Chairman, I want to advise the Minister that legally people can set up an offshore, non-resident trust to buy an annuity. They can buy an annuity from New York Life in New York, Occidental Life in California, or by just driving to Buffalo and seeing a friendly agent. They can set up the non-resident trust in which case the income goes to the trust, and it is perfectly legal. They are not required to pay the accrual on the income from that annuity. That can be done with insurance companies who operate in this country through their foreign subsidiaries or with a foreign company. The arrangements can be organized, I am sure, through any lawyer. Any investment adviser will advise them how to do it.

The Minister is not at all preventing people from buying accrual annuities; he is allowing people to buy accrual annuities in other countries without any tax problem in Canada whatsoever. Indeed, there is nothing he can do in Canada to catch the tax accruing on those annuities. All the Minister has done in the amendments is to drive investment funds out of the country. There is absolutely no purpose to it. It is a grasping, foolish idea conceived on the twenty-fifth floor or thereabouts of Place Bell Canada. The Minister has not thought about it, he has not worked it through. He has also been told by insurance companies and those who sell annuities everywhere. What he is doing to deprive companies operating exclusively in Canada from selling those annuities and investing the proceeds in long-term investments in Canada. The Minister has not done anything for Canada. He has not done anything for the income collection system. All he will do through these provisions is to drive money out of the country.

If this Section passes, his officials might be very happy, but I will tell him and his officials right now while they are listening that these provisions will be changed by the next Conservative Government. We want investment in Canada. We want people to invest in Canada. These provisions do not allow this. All they do is drive money out of the country.

Some Hon. Members: Hear, hear!

Mr. Cosgrove: Mr. Chairman, the flowery language used by the Hon. Member for Mississauga South does not at all accord with actual experience in the sale of annuities by major Canadian insurance companies. I invite the Hon. Member to look at the experience of sales of major Canadian companies, and I think he will agree that perhaps his flowery interpretation of the implication of this law is, indeed, just that, a flowery interpretation.

The Hon. Member raises a point where he feels—I do not know on whose legal advice—that there may be high-priced lawyers or high-paid tax accountants who, upon payment of these fees, can attempt to assist otherwise well-heeled taxpayers find some way around the provisions of the Act. Of course, each individual case would have to be analyzed by Government lawyers to find out under what category that kind of advice and those kinds of schemes would fall. I cannot pretend to offer any kind of judgment on the scheme that the Hon. Member has just put forward. Obviously, officials and lawyers employed by the Government would have to know whether those are evasion methods, avoidance or fraudulent methods. One thing we can all be assured of is that it will be costly to the taxpayer who is employing those types of high-paid accountants.

● (1230)

Mr. Hawkes: Mr. Chairman, could the Government share with us their estimate of the impact of this legislation on the formation of capital pools?

Mr. Cosgrove: As I indicated earlier, we have some 12 or 18 complicated Clauses before the House dealing with the implication of income tax and the philosophy in the area that the Hon. Member wishes to investigate. I think that it is so far removed from the work that the House has before it that I am reluctant to get into these kinds of philosophical discussions.

Mr. Hawkes: Can the Minister tell me whether or not the Government has an estimate of the impact of these changes on the formation of capital in this country?

Mr. Cosgrove: I repeat my last answer, Mr. Chairman.

Mr. Hawkes: I will repeat my question. Does the Government have an estimate? Have the Government's officials looked at the possibility that these tax changes will affect the formation of capital pools in this country? Do they have an estimate?

Mr. Cosgrove: I will have to repeat my last answer, Mr. Chairman.